



U.S. Department of Justice

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NEWS SUMMARY

Indicted corporation agrees to cooperate in investigation and prosecution of executives and other individuals in \$250 million coupon fraud scheme.

United States Attorney Steven M. Biskupic announced today that the United States has agreed to dismiss without prejudice pending wire-fraud charges against International Outsourcing Services (“IOS”), a privately-held corporation. The dismissal comes as a result of an offer by the new management at the company to assist the government in the ongoing investigation and current prosecution of 11 individuals, including multiple former IOS executives, who were indicted with the company on March 6, 2007.

United States Attorney Biskupic said, “This dismissal is the result of the company’s change in its upper management and recent commitment to provide complete and total cooperation in the further investigation and prosecution of the coupon fraud scheme that others allegedly committed by using the company. The dismissal helps company employees and provides new information to assist the government in determining who may have been responsible for the alleged fraud. This resolution also benefits the victims of the alleged fraud scheme by requiring the company to place any future distributions to its shareholders in escrow for use if individual defendants are convicted and ordered to pay restitution.”

According to the government’s motion to dismiss the case against IOS, the company has agreed to take several steps, including:

- Cooperating completely in the ongoing prosecution of individuals concerning the charged fraud scheme as well as in the investigation and prosecution of IOS’s executives for possible obstruction of justice both before and after the indictment;
- Installing a new management team and removing the indicted individuals from their roles with the company;
- Placing all putative distributions to shareholders, including any potential proceeds available for shareholders if the company were ever sold, in escrow pending resolution of the criminal cases;
- Making IOS employees and representatives available for interview and testimony

as necessary;

- Making its files available to the United States for unrestricted inspection and use in the criminal cases and voluntarily waiving any privileges that might otherwise apply to its documents;
- Designating a management-level employee to assist the United States to facilitate admissibility of any IOS records at the trial of any indicted individual; and
- Maintaining an independent, on-site monitor to oversee company operations and finances.

United States Attorney Biskupic further explained that charges could be re-filed if IOS fails to live up to its cooperation agreement and that IOS has agreed that if charges were to be re-filed, the company has waived the statute of limitations for the charged offenses.

On March 6, 2007, a federal grand jury had returned a 25-count indictment charging IOS and 11 individuals with carrying out a wire-fraud scheme to defraud manufacturers that use coupons to market their products to consumers. The indictment alleged that as a result of the scheme, the defendants caused over \$250,000,000 in loss to manufacturers nationwide and over \$15,000,000 to Wisconsin-based companies.

No trial date has been set for the case against the 11 indicted individuals. If convicted, individual defendants would face (per count): up to 20 years' imprisonment, up to \$250,000 in fines, up to 3 years of supervised release, and a restitution order covering the amount of established loss.

The public is cautioned that an indictment is merely the formal method of returning charges against an individual and does not constitute inference of his guilt. An individual is presumed innocent until such time, if ever, that the government establishes his or her guilt beyond a reasonable doubt.

The FBI is the lead agency in this investigation. Anyone who may wish to provide additional information pertaining to this investigation should contact the Milwaukee Office of the FBI at 414-276-4684. This case has been assigned to AUSAs Stephen A. Ingraham, Richard G. Frohling, Matthew L. Jacobs, and Kelly B. Watzka for prosecution.

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For more information contact:

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